

**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

***FINANCIAL STATEMENTS  
(AUDITED)***

**FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013**

**DOROTHY MCFARLAND, FISCAL OFFICER**





# Dave Yost • Auditor of State

Board of Trustees  
Manchester Township  
813 8th Street  
Manchester, Ohio 45144

We have reviewed the *Independent Auditor's Report* of Manchester Township, Adams County, prepared by Julian & Grube, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Manchester Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 1, 2015

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**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For The Year Ended December 31, 2014 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For The Year Ended December 31, 2013 .....	4
Notes to the Financial Statements.....	5 - 11
Independent Auditor’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	12 - 13
Schedule of Findings and Responses.....	14 - 16
Status of Prior Audit Findings .....	17



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Manchester Township  
Adams County  
813 8<sup>th</sup> Street  
Manchester, Ohio 45144

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Manchester Township, Adams County, Ohio, as of and for the years ended December 31, 2014 and 2013.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Manchester Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Manchester Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Manchester Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Manchester Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America the financial position of the Manchester Township as of December 31, 2014 and 2013, or changes in the financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Manchester Township, Adams County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that Manchester Township will continue as a going concern. As discussed in Note 9 to the financial statements, Manchester Township has suffered recurring losses in prior years from operations and has a deficiency that raises substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the Manchester Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Manchester Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 5, 2015

**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 16,632	\$ 33,744	\$ -	\$ 50,376
Licenses, permits and fees	-	25,103	-	25,103
Intergovernmental	3,159	88,030	-	91,189
Interest	-	75	17	92
Miscellaneous	245	3,426	1,000	4,671
Total cash receipts	<u>20,036</u>	<u>150,378</u>	<u>1,017</u>	<u>171,431</u>
Cash disbursements:				
Current:				
General government	7,582	-	-	7,582
Public works	-	31,834	-	31,834
Health	-	83,532	-	83,532
Total cash disbursements	<u>7,582</u>	<u>115,366</u>	<u>-</u>	<u>122,948</u>
Net change in fund cash balances	<u>12,454</u>	<u>35,012</u>	<u>1,017</u>	<u>48,483</u>
Fund cash balances, January 1, 2014	<u>(83,123)</u>	<u>426,730</u>	<u>12,047</u>	<u>355,654</u>
Restricted	-	461,742	13,064	474,806
Unassigned (deficit)	(70,669)	-	-	(70,669)
Fund cash balances, December 31, 2014	<u>\$ (70,669)</u>	<u>\$ 461,742</u>	<u>\$ 13,064</u>	<u>\$ 404,137</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Cash receipts:				
Property and local taxes	\$ 16,142	\$ 32,664	\$ -	\$ 48,806
Licenses, permits and fees	-	32,872	-	32,872
Intergovernmental	3,202	96,606	-	99,808
Earnings on investments	-	144	30	174
Miscellaneous	763	6,783	100	7,646
Total cash receipts	<u>20,107</u>	<u>169,069</u>	<u>130</u>	<u>189,306</u>
Cash disbursements:				
Current:				
General government	11,277	-	-	11,277
Public works	-	71,160	-	71,160
Health	-	73,107	-	73,107
Capital outlay	-	38,002	-	38,002
Total cash disbursements	<u>11,277</u>	<u>182,269</u>	<u>-</u>	<u>193,546</u>
Net change in fund cash balances	<u>8,830</u>	<u>(13,200)</u>	<u>130</u>	<u>(4,240)</u>
Fund cash balances, January 1, 2013	<u>(91,953)</u>	<u>439,930</u>	<u>11,917</u>	<u>359,894</u>
Restricted	-	426,730	12,047	438,777
Unassigned (deficit)	(83,123)	-	-	(83,123)
Fund cash balances, December 31, 2013	<u>\$ (83,123)</u>	<u>\$ 426,730</u>	<u>\$ 12,047</u>	<u>\$ 355,654</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Manchester Township (the Township) is a as a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general government services, including road and bridge maintenance and cemetery maintenance.

The Township participates in the Ohio Plan Risk Management, a public entity risk pool.

Public Entity Risk Pool

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - Formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - Formerly known as the Ohio Healthcare Consortium; and,
- Ohio Plan Inc. - Mirrors over the sight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Cemetery Fund - This fund receives fees from the sale of lots, footers, and burial fees for the purpose of maintaining and operation the Township cemeteries

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following permanent fund:

Cemetery Bequest Fund - This fund is used to record interest income received on monies donated to the cemetery and is used for the general maintenance of the cemetery.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 2 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2014	2013
Demand deposits	\$402,137	\$354,654
Total deposits	402,137	354,654
Certificates of deposit	2,000	1,000
Total investments	2,000	1,000
Total deposits and investments	\$404,137	\$355,654

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,280	\$20,036	(\$1,244)
Special Revenue	128,400	150,378	21,978
Permanent	0	1,017	1,017
Total	\$149,680	\$171,431	\$21,751

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,990	\$7,737	\$8,253
Special Revenue	221,523	118,333	103,190
Permanent	0	0	0
Total	\$237,513	\$126,070	\$111,443

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 3 - BUDGETARY ACTIVITY - (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,200	\$20,107	(\$4,093)
Special Revenue	140,700	169,069	28,369
Permanent	0	130	130
Total	\$164,900	\$189,306	\$24,406

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,967	\$11,277	\$5,690
Special Revenue	339,460	182,269	157,191
Permanent	0	0	0
Total	\$356,427	\$193,546	\$162,881

**NOTE 4 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**NOTE 5 - RETIREMENT SYSTEMS**

The Township's selected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equal to 14%, of participants' gross salaries. As of December 31, 2014, the Township has paid 100% of its required contributions for 2014 and 100% of its required contributions for 2013.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 6 - RISK MANAGEMENT**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013, respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013 (the latest information available).

	<u>2012</u>	<u>2013</u>
Assets	13,100,381	\$13,774,304
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members'		
Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 7 - CONTINGENT LIABILITIES**

The Township is not currently involved in litigation.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 8 - COMPLIANCE**

- A. The Township did not properly certify seventeen percent and forty-three percent of the disbursement transactions tested during 2014 and 2013, respectively, in noncompliance with Ohio Revised Code Section 5705.41(D).
- B. The Township could not provide a signed approved submission of a detailed financial plan, in noncompliance with Ohio Revised Code Section 118.06.
- C. The Township failed to submit the required financial plan, in noncompliance with Ohio Revised Code Section 118.12 and 2013 disbursements appeared to be greater than 85% of the preceding year disbursements with no evidence of the Commission authorizing a higher percentage.

**NOTE 9 - FISCAL EMERGENCY DETERMINATION/GOING CONCERN**

The Auditor of State of Ohio declared Manchester Township to be in a state of fiscal emergency on September 20, 2002, in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the President of the Trustees, the County Auditor, three local financial business professionals and two representatives from the State of Ohio.

**NOTE 10 - MISCELLANEOUS INCOME**

The miscellaneous receipts in the permanent fund consist of contributions to the cemetery bequest fund.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Controls Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Manchester Township  
Adams County  
813 8<sup>th</sup> Street  
Manchester, Ohio 45144

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards* the financial statements of Manchester Township, Adams County, Ohio, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 5, 2015, wherein we noted the Manchester Township followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, we noted that the accompanying financial statements have been prepared assuming that Manchester Township will continue as a going concern. As discussed in Note 9 to the financial statements, Manchester Township has suffered recurring losses in prior years from operations and has a deficiency that raises doubt about its ability to continue as a going concern.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Manchester Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Manchester Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Manchester Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings and responses to be a material weakness.

Members of Council and Mayor  
Manchester Township

***Compliance and Other Matters***

As part of reasonably assuring whether the Manchester Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2014-001 through 2014-003.

***Manchester Township's Responses to Findings***

Manchester Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Manchester Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Manchester Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Manchester Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
June 5, 2015

**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2014-001

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- a) "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contractor order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal office without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.
- b) Blanket certificate - Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- c) Super Blanket certificate - The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Township did not properly certify seventeen percent and forty-three percent of the disbursement transactions tested during 2014 and 2013, respectively.

Without timely certification, the Township may expend more funds than available in the treasury, in the process of collection, or appropriated by the Trustees, which could potentially lead to negative fund balances. In addition, the Township may make unnecessary purchases.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2014-001 - (Continued)

To improve controls over disbursements, and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, the fiscal officer should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, “then and now” certification should be used. When the "Then and Now" certification is used for amounts in excess of \$3,000, the Trustees should approve the payment by resolution within 30 days.

*Client Response:* It is the intent of the Township to improve compliance by more closely following as described in the finding to ensure prior certification for disbursements and, when necessary, to have Trustees approve payments by resolution.

Finding Number	2014-002
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Ohio Revised Code 118.06 states that within one-hundred-twenty days after the first meeting of the Commission the Board of Township Trustees shall submit to the Commission a detailed financial plan, as approved or amended and approved by ordinance or resolution of the legislative authority containing the certain elements.

The Township was unable to provide evidence that this financial plan was approved.

Without an approved plan, the Township increases its risk of remaining under fiscal emergency and not increasing their fiscal sustainability.

We recommend the Township Trustees contact the Commission members and request a meeting to move forward on obtaining a completed plan.

*Client Response:* The Township Trustees will contact the Commission members and work with the Ohio Auditor of State local region to complete this plan.

Finding Number	2014-003
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Ohio Revised Code Section 118.12 outlines the requirements if an entity fails to submit a financial plan, specifically that if a plan is not submitted, then disbursements from the general fund may not exceed 85% of disbursements from the general fund for the preceding year, until the Commission has authorized a higher percent.

2013 General fund disbursements were 118% of prior year General fund disbursements, and there was no evidence provided that the Commission authorized a percent greater than the 85% listed in the statute.

Without abiding by the requirements, the Township risks remaining under fiscal emergency and not increasing their fiscal sustainability.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2014-003 - (Continued)

We recommend the Township contact the Commission members and actively pursue obtaining an approved financial plan and/or carefully monitor its disbursements to ensure they don't exceed the 85% limit, unless they have Commissions approval.

*Client Response:* The Township Trustees will contact the Commission members and the Ohio Auditor of State local region to discuss the adoption of an acceptable plan. The Township Fiscal Officer will attempt to monitor disbursements more closely to ensure they do not exceed the 85% requirement of the prior year unless approval is obtained from the Commission.

**MANCHESTER TOWNSHIP  
ADAMS COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</u>
2012-MT-001	<u>Material Weakness - Financial Statement Presentation</u> - Adjustments were necessary to correct misstatements identified in the audit of the Township's financial statements.	Yes	N/A
2012-MT-002	<u>Noncompliance/Material Weakness - Ohio Revised Code Section 5705.41(D)</u> states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The Township did not properly certify fifty-nine percent and forty-six percent of the disbursement transactions tested during 2012 and 2011, respectively.	No	Repeated as finding 2014-001
2012-MT-003	Ohio Revised Code Section 118.06 states that within one-hundred-twenty days after the first meeting of the Commission, the Board of Township Trustees shall submit to the Commission a detailed financial plan, as approved or amended and approved by ordinance or resolution of the legislative authority containing the certain elements. The Township was unable to provide evidence that the financial plan was approved.	No	Repeated as finding 2014-002
2012-MT-004	Ohio Revised Code Section 118.12 outlines the requirements if an entity fails to submit a financial plan, specifically that if a plan is not submitted, then disbursements from the general fund may not exceed 85% of disbursements from the general fund for the preceding year, until the Commission has authorized a higher percent. 2011 general fund disbursements were 92% of prior year general fund disbursements, and there was no evidence provided that the Commission authorized a percent greater than 85% listed in the statute.	No	Repeated as finding 2014-003



# Dave Yost • Auditor of State

**MANCHESTER TOWNSHIP**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 10, 2015**